

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name <b>Metropolitan Enforcement Team</b>	County
Fiscal Year End <b>6/30/07</b>	Opinion Date <b>1/10/08</b>	Date Audit Report Submitted to State <b>3/15/08</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

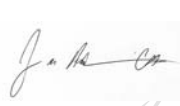
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>James M. Anderson, P.C.</b>		Telephone Number <b>(989) 563-2450</b>		
Street Address <b>P.O. Box 255</b>		City <b>Roscommon</b>	State <b>MI</b>	Zip <b>48653</b>
Authorizing CPA Sign 	Printed Name <b>James M. Anderson, CPA</b>		License Number <b>1101017419</b>	

Digitally signed by James M. Anderson, CPA  
DN: cn=James M. Anderson, CPA,  
o=US, ou=James M. Anderson, P.C.,  
email=jma@m33access.com  
Date: 2008.03.15 13:25:22 -0400

**METROPOLITAN ENFORCEMENT TEAM**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2007**

## METROPOLITAN ENFORCEMENT TEAM

### TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report . . . . .	1
Management's Discussion and Analysis . . . . .	2-5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets . . . . .	6
Statement of Activities . . . . .	7
Fund Financial Statements:	
<u>Governmental Funds</u>	
Balance Sheet . . . . .	8
Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets . . . . .	9
Statement of Revenues, Expenditures and Changes in Fund Balance . . . . .	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities . . . . .	11
<u>Fiduciary Fund</u>	
Statement of Fiduciary Fund Net Assets . . . . .	12
Statement of Changes in Fiduciary Fund Net Assets . . . . .	13
Notes to Financial Statements . . . . .	14-18
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund . . . . .	19



## James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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### INDEPENDENT AUDITOR'S REPORT

January 10, 2008

Executive Board of M.E.T.  
One Monroe Center NW  
Grand Rapids, Michigan 49503

I have audited the accompanying financial statements of the governmental activities and major fund of the Metropolitan Enforcement Team as of and for the year ended June 30, 2007 which collectively comprise the Metropolitan Enforcement Team's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the M.E.T.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of M.E.T. as of June 30, 2007, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 are not a required part of the basic financial statements, but are supplementary information required by Accounting Principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was made for the purpose of forming an opinion on the financial statements that collectively comprise M.E.T.'s basic financial statements. The supplemental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the M.E.T. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in blue ink, appearing to read 'J M Anderson', is written over the printed name.

JAMES M. ANDERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

MEMBER MACPA and AICPA

METROPOLITAN ENFORCEMENT TEAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007

***Using this Annual Report***

Our discussion and analysis of M.E.T.'s financial performance provides an overview of the Unit's financial activities for the fiscal year ended June 30, 2007. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Unit and present a longer-term view of the Unit's finances.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to M.E.T.'s basic financial statements. These statements are comprised on three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

***Reporting M.E.T. as a Whole***

**Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of M.E.T.'s finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of M.E.T.'s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of M.E.T. is improving or deteriorating.

The *Statement of Activities* presents information showing how M.E.T.'s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**Fund Financial Statements.** A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. M.E.T., like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. M.E.T. maintains one governmental fund and one fiduciary fund.

**Governmental Fund.** All of the unit's basic services are reported in the governmental fund, which focus on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of M.E.T.'s general governmental operations and the basic services it provides.

METROPOLITAN ENFORCEMENT TEAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2007

*Fiduciary Fund.* The Fiduciary fund is used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the unit's own programs. M.E.T. uses a fiduciary fund to account for non-adjudicated funds held.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The statements mentioned above, report the Unit's net assets and how they have changed. The reader can think of the Unit's net assets (the difference between assets and liabilities) as one way to measure the Unit's financial health or financial position. Over time, increases or decreases in the Unit's net assets are one indicator of whether its financial health is improving or deteriorating, respectively.

***Financial Analysis of M.E.T. as a Whole***

M.E.T.'s net assets decreased approximately 21%, or \$211,556, from \$1,001,163 to \$789,607 for the year ended June 30, 2007. The net assets and change in net assets are summarized below.

Net Assets

The overall financial position decreased in 2007. The unrestricted net assets decreased by \$223,580 and the investment in capital assets increased by \$12,024. The primary reason for the decline was the decrease of \$202,629 in forfeitures in 2007 and a distribution to the participating units of government of \$199,000 bringing the total revenues to \$439,290 compared to total expenses of \$650,846.

The net assets as of the year ended June 30, 2007, are as follows:

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 817,090	\$ 993,830	\$(176,740)	(17.78)
Capital Assets	<u>53,318</u>	<u>41,294</u>	<u>12,024</u>	<u>29.12</u>
Total Assets	<u>870,408</u>	<u>1,035,124</u>	<u>(164,716)</u>	<u>(15.91)</u>
Current Liabilities	<u>80,801</u>	<u>33,961</u>	<u>46,840</u>	<u>137.92</u>
Total Liabilities	<u>80,801</u>	<u>33,961</u>	<u>46,840</u>	<u>137.92</u>
Net Assets				
Invested in Capital Assets	53,318	41,294	12,024	29.12
Unrestricted	<u>736,289</u>	<u>959,869</u>	<u>(223,580)</u>	<u>(23.29)</u>
Total Net Assets	<u>\$ 789,607</u>	<u>\$1,001,163</u>	<u>\$(211,556)</u>	<u>(21.13)</u>

METROPOLITAN ENFORCEMENT TEAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2007

Changes in Net Assets

	<u>2007</u>	<u>2006</u>	<u>Variance</u>	<u>%</u>
General Revenues:				
Forfeitures and restitution	\$ 256,167	\$ 458,796	\$ (202,629)	(44.16)
HIDTA Grant	143,615	86,596	57,019	65.84
Interest	37,630	39,134	(1,504)	(3.84)
Other	<u>1,878</u>	<u>1,015</u>	<u>863</u>	<u>85.02</u>
Total Revenue	<u>439,290</u>	<u>585,541</u>	<u>(146,251)</u>	<u>(24.98)</u>
Operating Expense				
Wages and fringes	131,617	112,251	19,366	17.25
Contract Services	44,519	44,478	41	0.09
Investigative expenditures	183,695	155,908	27,787	17.82
Payment to other governments	199,000	-0-	199,000	100.00
Depreciation	5,801	5,330	471	8.84
Other	<u>86,214</u>	<u>83,984</u>	<u>2,230</u>	<u>2.65</u>
Total Operating Expense	<u>650,846</u>	<u>401,951</u>	<u>248,895</u>	<u>61.92</u>
Income (Loss)	(211,556)	183,590	(395,146)	(215.23)
Beginning Net Assets	<u>1,001,163</u>	<u>817,573</u>	<u>183,590</u>	<u>22.45</u>
Ending Net Assets	<u>\$ 789,607</u>	<u>\$1,001,163</u>	<u>\$ (211,556)</u>	<u>(21.13)</u>

***Capital Asset and Debt Administration***

At June 30, 2007, M.E.T. had \$53,318 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$12,024 or 29.12% as follows:

	<u>2007</u>	<u>2006</u>	<u>Total Percentage Change 2006-2007</u>
Capital Assets Not Being Depreciated Land	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>0.00</u>
Subtotal	<u>-0-</u>	<u>-0-</u>	<u>0.00</u>
Capital Assets Being Depreciated			
Building Improvements	33,220	33,220	0.00
Vehicles	4,900	8,900	(44.94)
Equipment	<u>45,242</u>	<u>24,550</u>	<u>84.28</u>
Subtotal	<u>83,362</u>	<u>66,670</u>	<u>25.04</u>
Total Capital Assets	<u>83,362</u>	<u>66,670</u>	<u>25.04</u>
Total Accumulated Depreciation	<u>30,044</u>	<u>25,376</u>	<u>18.39</u>
Total Net Capital Assets	<u>\$ 53,318</u>	<u>\$ 41,294</u>	<u>29.12</u>

Please refer to the notes of the financial statements for more detailed information.

METROPOLITAN ENFORCEMENT TEAM  
MANAGEMENT'S DISCUSSION & ANALYSIS  
JUNE 30, 2007

Economic Factors and Next Year's Budget

The Metropolitan Enforcement Team (MET) currently has \$649,541.47 in financial assets. As of the June 30<sup>th</sup> 2007, the fiscal year end, MET's cash position was \$744,505. MET's detectives have been totally committed to our mission, i.e. over the calendar year MET detectives have investigated and arrested 113 suspects relating to extensive narcotic related crimes. MET detectives have also served 58 search warrants throughout the year. Even with the aforementioned statistics, MET's financial assets have eroded.

This is partly due to the fact that financial seizures for the year of 2007 were below that of other years. MET also dispersed \$199,000.00 to participating departments within the MET unit. This money was based on officer per department participation.

MET is still divided into two units. The MET Interdiction Team, which investigates mid to upper level narcotic traffickers through hotel/parcel and mobile nexuses.

MET also has the street level or suburban team, which not only responds to the needs of the community at large, but investigates lower to mid level street narcotic dealers.

Both teams in MET actively work with agents from the Drug Enforcement Agency, (DEA), and Immigrations, Customs Enforcement, (I.C.E.).

Based on past and present investigations, arrests, MET continues to be the areas standard for narcotics investigations and enforcement.

Impact of the future

METS future looks very good. MET continues to operate at a high level of integrity, enthusiasm and professionalism. In 2008 MET has almost already exceeded some 2007 statistics, which include arrests, drug and money seizures.

Contacting the Team's Management

This financial report is intended to provide our citizens with a general overview of the Team's finances and to show the Team's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Team's office.

D/Lt. Ron Wolter  
Metropolitan Enforcement Team Unit Commander



METROPOLITAN ENFORCEMENT TEAM  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

ASSETS

Current Assets:	
Cash and equivalents	\$ 744,505
Due from other governmental units	<u>72,585</u>
Total Current Assets	817,090
Capital Assets - Net	<u>53,318</u>
Total Assets	<u>870,408</u>

LIABILITIES

Liabilities	
Accounts payable	<u>80,801</u>
Total Liabilities	<u>80,801</u>

NET ASSETS

Investment in Capital Assets	53,318
Unrestricted	<u>736,289</u>
Net Assets	<u><u>\$ 789,607</u></u>

The accompanying notes are an integral part of these financial statements.

METROPOLITAN ENFORCEMENT TEAM  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Program Expenses	
Wages and fringes	\$ 131,617
Contract services	44,519
Investigative expenditures	183,695
Forfeiture expenditures	10,915
Payments to other governments	199,000
Office supplies	5,136
Communications	16,352
Repairs and maintenance	1,681
Professional services	2,450
Miscellaneous	542
Meals and lodging	6,524
Vehicles	33,823
Training	8,791
Depreciation Expense	<u>5,801</u>
Total Program Expenses	<u>650,846</u>
General Revenues	
Forfeitures and restitution	256,167
HIDTA Grants	143,615
Interest	37,630
Gain on sale of assets	887
Other	<u>991</u>
Total General Revenues	<u>439,290</u>
Change in Net Assets	(211,556)
Net Assets	
Beginning of year	<u>1,001,163</u>
End of year	<u><u>\$ 789,607</u></u>

The accompanying notes are an integral part of these financial statements.

METROPOLITAN ENGAGEMENT TEAM  
BALANCE SHEET  
JUNE 30, 2007

ASSETS

Cash demand and investments	\$ 744,505
Due from other government units	<u>72,585</u>
Total Assets	<u>\$ 817,090</u>

LIABILITIES AND FUND EQUITY

Liabilities	
Accounts payable	<u>\$ 80,801</u>
Total Liabilities	<u>80,801</u>

Fund Equity

Fund balance	<u>736,289</u>
Total Fund Equity	<u>736,289</u>

Total Liabilities and Fund Equity	<u>\$ 817,090</u>
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The accompanying notes are an integral part of these financial statements.

METROPOLITAN ENFORCEMENT TEAM  
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO  
THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

Total governmental fund balance	\$ 736,289
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Amounts reported for governmental activities in  
the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>53,318</u>
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Net assets of governmental activities	<u><u>\$ 789,607</u></u>
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The accompanying notes are an integral part of these financial statements.

METROPOLITAN ENFORCEMENT TEAM  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
JUNE 30, 2007

REVENUES

Forfeitures and restitution	\$ 256,167
HIDTA Grant	143,615
Interest	37,630
Sale of fixed assets	3,754
Other	<u>991</u>
Total Revenues	<u>442,157</u>

EXPENSES

Wages and fringes	131,617
Contract services	44,519
Investigative expenditures	183,695
Forfeiture expenditures	10,915
Payments to other governments	199,000
Office supplies	5,136
Communications	16,352
Repairs and maintenance	1,681
Professional services	2,450
Miscellaneous	542
Meals and lodging	6,524
Vehicles	33,823
Training	8,791
Capital outlay	<u>20,692</u>
Total Expenses	<u>665,737</u>

EXCESS OF REVENUE OVER (UNDER) EXPENSES (223,580)

FUND BALANCE, July 1 959,869

FUND BALANCE, June 30 \$ 736,289

The accompanying notes are an integral part of these financial statements.

METROPOLITAN ENFORCEMENT TEAM  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Net Change in fund balance - total governmental funds \$ (223,580)

Amounts reported for governmental activities  
in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.

12,024

Change in net assets of governmental activities.

\$ (211,556)

The accompanying notes are an integral part of these financial statements.

METROPOLITAN ENFORCEMENT TEAM  
STATEMENT OF FIDUCIARY FUND NET ASSETS  
NON-ADJUDICATED FIDUCIARY FUND  
JUNE 30, 2007

ASSETS	
Cash	\$ 3,350
Total Assets	<u>3,350</u>
LIABILITIES	
Seized assets pending judgement	<u>3,350</u>
Total Liabilities	<u>3,350</u>
NET ASSETS	
Net Assets Held in Trust for Other Governments	<u>\$ -0-</u>

The accompanying notes are an integral part of these financial statements.

METROPOLITAN ENFORCEMENT TEAM  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
NON-ADJUDICATED FIDUCIARY FUND  
JUNE 30, 2007

ADDITIONS

Seizures	\$ 2,091
Bond forfeitures	<u>10,380</u>
Total Additions	<u>12,471</u>

DEDUCTIONS

Payments to M.E.T.	3,050
Payments pending judgement	<u>9,421</u>
Total Deductions	<u>12,471</u>

Change in Net Assets	<u>-0-</u>
Net Assets Held in Trust for Other Governments - July 1	<u>-0-</u>
Net Assets Held in Trust for Other Governments - June 30	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.



METROPOLITAN ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Metropolitan Enforcement Team conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

DEFINING THE REPORTING ENTITY

The criteria established for determining the reporting entity include oversight responsibility, scope of public service, and special financing relationships. Only the activities of M.E.T. are included in these financial statements. M.E.T. is operated under an interagency agreement which includes Kent County; the cities of Grand Rapids, Wyoming, Kentwood, and Wyoming; and the Michigan State Police. The purpose of this alliance is to establish a cooperative force combining their investigative services, manpower and/or resources for enforcement of Michigan controlled substances laws and related criminal activity.

BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

*Management's Discussion and Analysis* - GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of M.E.T.'s financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

*Government-Wide Financial Statements* - The reporting model includes financial statements prepared using full accrual accounting for all M.E.T.'s activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

*Statement of Net Assets* - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. M.E.T. reports capital assets in the government-wide statement of net assets and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of M.E.T. are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

METROPOLITAN ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Statement of Activities* - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of M.E.T.'s functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, M.E.T. has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

Separate financial statements are provided for the operating fund (governmental fund) and the fiduciary fund. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

GENERAL FUND

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from forfeitures and restitution, interest on savings accounts and miscellaneous income.

FIDUCIARY FUNDS

These funds are used to account for assets held in trust or as an agent for others. Non-adjudicated activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No.34.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year of which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

METROPOLITAN ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING – FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the unit considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CAPITAL ASSETS AND DEPRECIATION

The M.E.T.'s property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The unit generally capitalizes assets with historical cost of normal maintenance more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1-3 years
Office furniture	5-20 years
Vehicles	4-7 years
Buildings and improvements	25-40 years
Land improvements	10-20 years
Machinery and equipment	5-10 years

Land and construction in progress are not depreciated.

METROPOLITAN ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPOSITS AND INVESTMENTS

The M.E.T.'s cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from date of acquisition.

State statutes authorize a governmental unit other than M.E.T. to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The governmental unit is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

DONATED SERVICES

Personnel for the operations of M.E.T. are provided by the law enforcement agencies whose officers are working with M.E.T. No expense or revenue has been recorded for these donated services in the books and records of M.E.T.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

M.E.T. does not maintain an adjudicated and non-adjudicated checking account, instead, the City of Grand Rapids receives and disburses funds for M.E.T.'s operations. Deposits made by the City with financial institutions consists of interest and non-interest bearing checking accounts and savings accounts. The City maintains a pooled account which is shared by various funds and component units. The amount held by the City on June 30, 2007 was \$728,238. The proportionate share of FDIC insurance coverage related to M.E.T.'s cash held by the City has not been determined. In addition, M.E.T. had \$19,617 cash on hand as of June 30, 2007.

METROPOLITAN ENFORCEMENT TEAM  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2007

NOTE C - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended June 30, 2007, M.E.T. incurred expenditures in excess of the amounts appropriated in the General Fund as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Wages and fringes	\$ 91,154	\$ 131,617	\$ (40,463)
Investigative expenditures	136,026	183,695	(47,669)
Forfeiture expenditures	6,138	10,915	(4,777)
Payments to other governments	-0-	199,000	(199,000)
Professional services	2,421	2,450	(29)
Miscellaneous	-0-	542	(542)
Meals and lodging	5,562	6,524	(962)
Vehicles	24,000	33,823	(9,823)
Capital outlay	10,391	20,692	(10,301)

NOTE D - CAPITAL ASSETS

The following is a summary of changes in the Capital Assets:

	<u>Balance 7/01/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/07</u>
Capital Assets Being Depreciated:				
Buildings Improvements	\$ 33,220	\$ -0-	\$ -0-	\$ 33,220
Equipment	24,550	20,692	-0-	45,242
Vehicles	<u>8,900</u>	<u>-0-</u>	<u>4,000</u>	<u>4,900</u>
Total	<u>66,670</u>	<u>20,692</u>	<u>4,000</u>	<u>83,362</u>
Less Accumulated Depreciation:				
Buildings Improvements	8,551	1,506	-0-	10,057
Equipment	12,916	3,315	-0-	16,231
Vehicles	<u>3,909</u>	<u>980</u>	<u>1,133</u>	<u>3,756</u>
Total	<u>25,376</u>	<u>5,801</u>	<u>1,133</u>	<u>30,044</u>
Total Net Capital Assets	<u>\$ 41,294</u>	<u>\$ 14,891</u>	<u>\$ 2,867</u>	<u>\$ 53,318</u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

METROPOLITAN ENFORCEMENT TEAM  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable Unfavorable
REVENUES				
Forfeitures and restitution	\$ 465,341	\$ 465,341	\$ 256,167	\$ (209,174)
HIDTA Grant	89,193	89,193	143,615	54,422
Interest	40,308	40,308	37,630	(2,678)
Sale of Fund Assets	-0-	-0-	3,754	3,754
Other	<u>18,857</u>	<u>18,857</u>	<u>991</u>	<u>(17,866)</u>
Total Revenues	<u>613,699</u>	<u>613,699</u>	<u>442,157</u>	<u>171,542</u>
EXPENSES				
Wages and fringes	91,154	91,154	131,617	(40,463)
Contract services	72,533	72,533	44,519	28,014
Investigative expenditures	136,026	136,026	183,695	(47,669)
Forfeiture expenditures	6,138	6,138	10,915	(4,777)
Payment to other governments	-0-	-0-	199,000	(199,000)
Office supplies	19,976	19,976	5,136	14,840
Communications	22,421	22,421	16,352	6,069
Repairs and maintenance	9,626	9,626	1,681	7,945
Professional services	2,421	2,421	2,450	(29)
Miscellaneous	-0-	-0-	542	(542)
Meals and lodging	5,562	5,562	6,524	(962)
Vehicles	24,000	24,000	33,823	(9,823)
Training	12,989	12,989	8,791	4,198
Capital outlay	<u>10,391</u>	<u>10,391</u>	<u>20,692</u>	<u>(10,301)</u>
Total Expenses	<u>413,237</u>	<u>413,237</u>	<u>665,737</u>	<u>(252,500)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	200,462	200,462	(223,580)	(424,042)
FUND BALANCE, July 1	<u>959,869</u>	<u>959,869</u>	<u>959,869</u>	<u>-0-</u>
FUND BALANCE, June 30	<u>\$ 1,160,331</u>	<u>\$1,160,331</u>	<u>\$ 736,289</u>	<u>\$ (424,042)</u>



James M. Anderson, P.C.

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**COMMUNICATION OF SIGNIFICANT DEFICIENCIES  
AND MATERIAL WEAKNESSES**

January 10, 2008

Executive Board of M.E.T.  
One Monroe Center NW  
Grand Rapids, MI 49503

In planning and performing my audit of the financial statements of the governmental activities, and major fund of the Metropolitan Enforcement Team as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered M.E.T.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I believe that the deficiency described above is a material weakness.



My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses as defined above. However, I identified the following deficiencies in internal control that I consider to be a significant deficiency.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of M.E.T.'s management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, M.E.T. has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, M.E.T.'s ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the M.E.T.'s determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for M.E.T. to perform this task internally.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "James M. Anderson".

JAMES M. ANDERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANT



## James M. Anderson, P.C.

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January 10, 2008

Executive Board of M.E.T.  
One Monroe Center NW  
Grand Rapids, MI 49503

Dear Board Members:

I have audited the financial statements of the major fund and the aggregate remaining fund information of the Metropolitan Enforcement Team for the year ended June 30, 2007, and have issued my report thereon dated January 10, 2008. Professional standards require that I provide you with the following information related to my audit.

### My Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated January 9, 2008, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of M.E.T. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of M.E.T.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by M.E.T. are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the M.E.T. during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

MEMBER MACPA and AICPA

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on M.E.T.'s financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by M.E.T., either individually or in the aggregate, indicate matters that could have a significant effect on M.E.T.'s financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

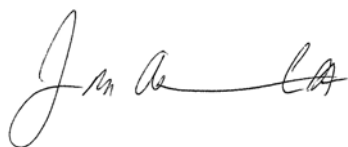
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as M.E.T.'s auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Executive Board  
Metropolitan Enforcement Team  
January 10, 2008  
Page 3

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Executive Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "J M Anderson".

James M. Anderson, P.C.  
Certified Public Accountant